

(2) The 12 required qualifying months of operation have occurred under the current royalty arrangement.

§ 203.53 What relief will MMS grant?

(a) If we approve your application and you meet certain conditions, we will reduce the pre-application effective royalty rate by one-half on production up to the relief volume amount. If you produce more than the relief volume amount:

(1) We will impose a royalty rate equal to 1.5 times the effective royalty rate on your additional production up to twice the relief volume amount; and

(2) We will impose a royalty rate equal to the effective rate on all production greater than twice the relief volume amount.

(b) Regardless of the level of production or prices (see § 203.54), royalty payments due under end-of-life relief will not exceed the royalty obligations that would have been due at the effective royalty rate.

(1) The effective royalty rate is the average lease rate paid on production during the 12 qualifying months.

(2) The relief volume amount is the average monthly BOE production for the 12 qualifying months.

§ 203.54 How does my relief arrangement for an oil and gas lease operate if prices rise sharply?

In those months when your current reference price rises by at least 25 percent above your base reference price, you must pay the effective royalty rate on all monthly production.

(a) Your current reference price is a weighted average of daily closing prices on the NYMEX for light sweet crude oil and natural gas over the most recent full 12 calendar months;

(b) Your base reference price is a weighted average of daily closing prices on the NYMEX for light sweet crude oil and natural gas during the qualifying months; and

(c) Your weighting factors are the proportions of your total production volume (in BOE) provided by oil and gas during the qualifying months.

§ 203.55 Under what conditions can my end-of-life royalty relief arrangement for an oil and gas lease be ended?

(a) If you have an end-of-life royalty relief arrangement, you may renounce it at any time. The lease rate will return to the effective rate during the qualifying period in the first full month following our receipt of your renouncement of the relief arrangement.

(b) If you pay the effective lease rate for 12 consecutive months, we will terminate your relief. The lease rate will return to the effective rate in the first full month following this termination.

(c) We may stipulate in the letter of approval for individual cases certain events that would cause us to terminate relief because they are inconsistent with an end-of-life situation.

§ 203.56 Does relief transfer when a lease is assigned?

Yes. Royalty relief is based on the lease circumstances, not ownership. It transfers upon lease assignment.

ROYALTY RELIEF FOR DEEP WATER EXPANSION PROJECTS AND PRE-ACT DEEP WATER LEASES

§ 203.60 Who may apply for deep water royalty relief?

Under conditions in §§ 203.61(b) and 203.62, you may apply for royalty relief if:

(a) You are a lessee of a lease in water at least 200 meters deep in the GOM and lying wholly west of 87 degrees, 30 minutes West longitude;

(b) We have assigned your lease to a field (as defined in § 203.0); and

(c) You hold a pre-Act lease on an authorized field (as defined in § 203.0) or you propose an expansion project (as defined in § 203.0).

§ 203.61 How do I assess my chances for getting relief?

You may ask for a nonbinding assessment (a formal opinion on whether a field would qualify for royalty relief) before turning in your first complete application on an authorized field. This field must have a qualifying well under 30 CFR part 250, subpart A, or be on a

lease that has allocated production under an approved unit agreement.

(a) To request a nonbinding assessment, you must:

(1) Submit a draft application in the format and detail specified in guidance from the MMS regional office for the GOM;

(2) Propose to drill at least one more appraisal well if you get a favorable assessment; and

(3) Pay a fee under § 203.3.

(b) You must wait at least 90 days after receiving our assessment to apply for relief under § 203.62.

(c) This assessment is not binding because a complete application may contain more accurate information that does not support our original assessment. It will help you decide whether your proposed inputs for evaluating economic viability and your supporting data and assumptions are adequate.

EFFECTIVE DATE NOTE: At 63 FR 2619, Jan. 16, 1998, § 203.61 was revised. This section contains information collection and record-keeping requirements and will not become effective until approval has been given by the Office of Management and Budget.

§ 203.62 How do I apply for relief?

You must send a complete application and the required fee to the MMS GOM Regional Director.

(a) Your application for deep water royalty relief must include an original and two copies (one set of digital information) of:

(1) Administrative information report;

(2) Deep water economic viability and relief justification report;

(3) G&G report;

(4) Engineering report;

(5) Production report; and

(6) Deep water cost report.

(b) Section 203.82 explains why we are authorized to require these reports.

(c) Sections 203.81, 203.83, and 203.85 through 203.89 describe what these reports must include. The MMS GOM Regional Office will guide you on the format for the required reports.

§ 203.63 Does my application have to include all leases in the field?

For authorized fields, we will accept only one joint application for all leases that are part of the designated field on

the date of application, except as provided in paragraph (c) of this section and § 203.64.

(a) The Regional Director maintains a Field Names Master List with updates of all leases in each designated field.

(b) To avoid sharing proprietary data with other lessees on the field, you may submit your proprietary G&G report separately from the rest of your application. Your application is not complete until we receive all the required information for each lease on the field. We will not disclose proprietary data when explaining our assumptions and reasons for our determinations under § 203.67.

(c) We will not require a joint application if you show good cause and honest effort to get all lessees in the field to participate. If you must exclude a lease from your application because its lessee will not participate, that lease is ineligible for the royalty relief for the designated field.

§ 203.64 How many applications may I file on a field?

You may file one complete application for royalty relief during the life of the field. However, you may send another application if:

(a) You are eligible to apply for a redetermination under § 203.74;

(b) You apply for royalty relief for an expansion project;

(c) You withdraw the application before we make a determination; or

(d) You apply for end-of-life royalty relief.

§ 203.65 How long will MMS take to evaluate my application?

(a) We will determine within 20 working days if your application for royalty relief is complete. If your application is incomplete, we will explain in writing what it needs. If you withdraw a complete application, you may re-apply.

(b) We will evaluate your first application on a field within 180 days and a redetermination under § 203.75 within 120 days after we say it is complete.

(c) We may ask to extend the review period for your application under the conditions in the following table.